

## MEMORANDUM

TO: All Retirement Boards

FROM: Bill Keefe, Executive Director

RE: FY2026 Budget and the Definition of Wages in Chapter 32

DATE: July 14, 2025

On July 4, 2025, Governor Healy signed the FY 2026 Budget, Chapter 9 of the Acts of 2025, which in Section 26 amended the definition of “Wages” in Chapter 32, Section 1. This amendment clarifies that any accrued sick, personal, or vacation leave is regular compensation when said leave is used, unless it is used in conjunction with the receipt of Workers’ Compensation pursuant to Chapter 152.

PERAC Memorandum No. 23 of 2023, issued on November 1, 2023, is hereby superseded and should no longer be consulted.

This change in the definition of wages, is a clarification following the decision in the *Vernava* and *Vernava II* cases regarding the definition of “wages” and using accrued leave while being unable to work and receiving Workers’ Compensation.

The amendment to the definition of “wages” makes clear that accrued leave, when taken, is to be treated as regular compensation. Additionally, it ensures that accrued leave, taken to supplement payments received pursuant to the Paid Family and Medical Leave (“PFML”) law under Chapter 175M, will be treated as regular compensation. Only boards that have members who are eligible for benefits under the PFML will be impacted by this change.

On November 1, 2023, PERAC issued Memorandum No. 23 of 2023 (“Memo #23/2023”) in response to an amendment to PFML made by Chapter 55 of the Acts of 2023. Prior to the passage of Chapter 55, employees who were receiving payments under PFML were prohibited from supplementing their payments by using accrued leave time. Chapter 55 allowed employees to use accrued leave to supplement their PFML up to their regular salary, similar to how workers are permitted to supplement the receipt of Workers’ Compensation. Memo #23/2023 clearly



MEMORANDUM - Page Two

TO: All Retirement Boards  
FROM: Bill Keefe, Executive Director  
RE: FY2026 Budget and the Definition of Wages in Chapter 32  
DATE: July 14, 2025

stated that supplemental payments of accrued leave while receiving PFML payments were not to be considered regular compensation as a result of the *Vernava* and *Vernava II* cases.

As set out above, with the passage of Section 26 of Chapter 9 of 2025, the guidance in Memo #23/ 2023 is superseded. Supplemental payments of accrued sick, personal, and vacation leave taken in conjunction with the receipt of PFML leave are now to be considered regular compensation. Deductions should be taken from the accrued leave. The effective date of the budget is July 1, 2025, and any supplemental payments of accrued leave made after that date should have deductions withheld.

The payments made from PFML, however, are not regular compensation and the guidance contained in Memorandum #15 of 2021 remains in effect. However, that Memo also stated that if a member took PFML leave in excess of one month, they would not receive creditable service. If a member supplements the receipt of PFML with accrued leave, then such accrued leave payments would be considered regular compensation, and the member will be credited with creditable service in accordance with the retirement board's regulations. If a retirement board prorates creditable service, then the member should receive prorated creditable service pursuant to the retirement board's regulation. If the retirement board does not have a prorating regulation, then full creditable service should be granted.

We trust the foregoing will be of some assistance to you. If you have questions, please feel free to contact General Counsel Judith Corrigan at 617-666-4446 ext. 904 or [Judith.a.corrigan@mass.gov](mailto:Judith.a.corrigan@mass.gov)

*Text of Statute*

*Section 26 of Chapter 9 of the Acts of 2025. Said section 1 of said chapter 32, as so appearing, is hereby further amended by inserting after the word "employer", in line 602, the following words:- , including any accrued sick, personal or vacation leave except when paid as a supplement to the receipt of weekly workers' compensation benefits pursuant to section 69 of chapter 152.*